SPROUT AI INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2023 AND THE FIFTEEN MONTHS ENDED JANUARY 31, 2022
(Expressed in United States Dollars)

INDEX

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sprout AI Inc.

Opinion

We have audited the consolidated financial statements of Sprout AI Inc. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2023 and 2022 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flow for the year ended January 31, 2023 and for the fifteen months ended January 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2023 and 2022, and its consolidated financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section on our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to note 1 in the consolidated financial statements which indicates that the Company has incurred a net loss of $1,328,644 (2022 - $6,462,272) and an accumulated deficit of $9,626,924 (2022 - $8,298,280) for the year ended January 31, 2023. As stated on note 1, these events or conditions, along with other matter as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified is respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the *Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

MOORE

An independent member
of Moore North America, Inc.,
which is associated with the
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Impairment Assessment of Intangible Assets

As described in Note 10 to the consolidated financial statements, the Company's intangible asset balances were $782,684 as of January 31, 2023 (2022 - $475,921). Management conducts an impairment assessment annually as of January 31, or more frequently if events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. Any impairment charges are determined by comparing the fair value of the reporting unit to its carrying value. The recoverable amount of a reporting unit is determined by management based on discounted cash flow projections. Management's cash flow projections for the reporting unit included significant judgements and assumptions relating to a transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets. Based on the results of the impairment assessments, no impairments were recorded for both January 31, 2023 and 2022.

The principal considerations for our determination that performing procedures relating to the impairment assessments of intangible assets is a key audit matter are (i) a high degree of auditor judgment and subjectivity in performing procedures relating to the fair value of the reporting unit due to the significant judgement by management when developing the estimate; and (ii) the significant audit effort in evaluating management's significant assumptions related to the transaction realization rate, discount rate, future cash flows, and the future revenues to be generated from the intangible assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, amount others, (i) testing management's process for developing the fair value estimates of the reporting unit; (ii) evaluating the appropriateness of the underlying discounted cash flow projections; (iii) testing the completeness and accuracy of underlying data used in the projections; and (iv) evaluating the reasonableness of the significant assumptions used by management, including the transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets. Evaluating management's significant assumptions related to the transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets involved evaluating whether the significant assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit; (ii) the consistency with external market and industry data; (iii) sensitivities over significant inputs and significant assumptions; and (iv) whether these significant assumptions were consistent with evidence obtained in other areas of the audit, as applicable.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our conclusion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for the indications that the other information appears to be materially misstated.

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We obtained the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this Independent Auditor's Report is John F. Cleveland-Iliffe.

Segal GCSE LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 29, 2023

SPROUT AI INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 31, 2023 AND 2022
(Expressed in United States Dollars)

	2023	2022
ASSETS		
Current		
Cash	$ 27,770	$ 341,752
Prepaid expenses, note 6	157,905	282,321
Inventory, note 7	31,066	167,453
Due from related parties, note 12	158,531	50,499
Accounts receivable, note 5	-	43,055
	375,272	885,080
Long-term		
Right-of-use assets, note 8	740,596	927,504
Property and equipment, note 9	211,405	368,429
Intangible assets, note 10	782,684	475,921
	1,734,685	1,771,854
	$ 2,109,957	$ 2,656,934
LIABILITIES		
Current		
Accounts payable and accrued liabilities, notes 11 and 22	$ 852,430	$ 328,619
Deferred revenue, note 15	656,168	507,157
Due to related parties, note 12	2,021,233	2,252,896
Loan payable - current, note 13	50,236	-
Lease liabilities - current, note 14	189,450	161,651
	3,769,517	3,250,323
Long-term debt		
Loan payable - non-current, note 13	451,923	-
Lease liabilities - non-current, note 14	753,499	942,949
	1,205,422	942,949
	4,974,939	4,193,272
Contingencies and commitments, note 16		
SHAREHOLDERS' DEFICIENCY		
Share capital, note 17	6,009,390	6,009,390
Capital stock reserve, note 18	752,552	752,552
Deficit	(9,626,924)	(8,298,280)
	(2,864,982)	(1,536,338)
	$ 2,109,957	$ 2,656,934

Approved on behalf of the Board:

"Christopher Bolton"____________________________ Director

"Toni Rinow"__________________________________ Director

See accompanying notes to the consolidated financial statements

SPROUT AI INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE YEAR ENDED JANUARY 31, 2023 AND THE FIFTEEN MONTHS ENDED JANUARY 31, 2022
(Expressed in United States Dollars)

	Number of Shares (Note 17)	Share Capital (Note 17)	Capital Stock Reserve (Note 18)	Deficit	Total
Balance, October 31, 2020	100	$ 10,000	$ -	$ (1,836,008)	$ (1,826,008)
Reverse acquisition transaction					
Common shares acquired from legal subsidiary	(100)	-	-	-	-
Equity of Sprout AI Inc.	28,000,100	536,391	1,560,306	(97,296)	1,999,401
Elimination of equity of Sprout AI Inc.	-	(536,391)	(1,560,306)	97,296	(1,999,401)
Issuance of common shares pursuant to reverse takeover ("RTO")	50,000,000	3,953,502	-	-	3,953,502
Warrants assumed pursuant to RTO	-	-	1,661,130	-	1,661,130
Issuance of performance-based warrants pursuant to RTO	-	-	752,552	-	752,552
Common shares issued on exercise of special warrants	11,764,706	1,661,130	(1,661,130)	-	-
Common shares issued on closing of private placements	500,000	20,233	-	-	20,233
Common shares issued on closing of private placement	700,000	364,525	-	-	364,525
Net loss and comprehensive loss	-	-	-	(6,462,272)	(6,462,272)
Balance, January 31, 2022	90,964,806	$ 6,009,390	$ 752,552	$ (8,298,280)	$ (1,536,338)
Net loss and comprehensive loss	-	-	-	(1,328,644)	(1,328,644)
Balance, January 31, 2023	90,964,806	$ 6,009,390	$ 752,552	$ (9,626,924)	$ (2,864,982)

See accompanying notes to the consolidated financial statements

SPROUT AI INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED JANUARY 31, 2023 AND THE FIFTEEN MONTHS ENDED JANUARY 31, 2022
(Expressed in United States Dollars)

	2023	2022
Revenue		
Sales of product, notes 19 and 22	$ 575,434	$ -
Service revenue, notes 19 and 22	308,582	112,635
	884,016	112,635
Cost of sales, note 22	302,855	-
Gross profit	581,161	112,635
Operating expenses		
Payroll expenses, note 22	734,120	345,209
Professional fees	309,750	784,957
Interest expense on lease liabilities, note 14	162,199	235,422
General and administrative	152,831	154,097
Advertising and promotion	147,913	156,772
Insurance	54,819	14,646
Licensing fees	42,499	55,768
Interest and bank charges, note 13	28,010	5,251
Dues and subscriptions	26,055	36,216
Foreign exchange loss	5,852	122,579
Listing expenses	-	4,263,243
Depreciation	335,353	400,747
	1,999,401	6,574,907
Net loss from operations	(1,418,240)	(6,462,272)
Other income and expenses		
Gain on disposition of property and equipment	47,324	-
Fair value adjustment on loan payable	42,272	-
	89,596	-
Net loss and comprehensive loss for the year/period	$ (1,328,644)	$ (6,462,272)
Weighted average number of shares outstanding, note 21	90,964,806	71,661,230
Loss per share - basic and diluted, note 21	$ (0.01)	$ (0.09)

SPROUT AI INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2023 AND THE FIFTEEN MONTHS ENDED JANUARY 31, 2022
(Expressed in United States Dollars)

	2023	**2022**
Cash flows from operating activities		
Net loss and comprehensive loss for the year/period	$ (1,328,644)	$ (6,462,272)
Adjustments for:		
Depreciation	335,353	400,747
Gain on disposition of property and equipment	(47,324)	-
Interest expense on lease liabilities	162,199	235,422
Fair value adjustment on loan payable	(42,272)	-
Interest expense on loan payable	24,431	-
Listing expense	-	4,263,243
Foreign exchange due to RTO	-	131,152
Working capital acquired through RTO	-	390,580
	(896,257)	(1,041,128)
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	43,055	(3,452)
Decrease (increase) in inventory	136,387	(167,453)
Decrease (increase) in prepaid expenses	124,416	(282,321)
Increase in due from related parties	(108,032)	(50,499)
Increase in accounts payable and accrued liabilities	523,811	260,237
Increase in deferred revenue	149,011	507,157
Cash flows used in operating activities	(27,609)	(777,459)
Cash flows from investing activities		
Purchase of property and equipment	(5,349)	(204,817)
Proceeds from disposition of property and equipment	61,252	-
Purchase of intangible assets	(306,763)	(475,921)
Cash acquired on RTO	-	1,582,210
	(250,860)	901,472
Cash flows from financing activities		
Payment of lease liabilities	(323,850)	(401,962)
Proceeds from loan payable	520,000	-
Proceeds from issuance of common shares	-	384,758
Increase (decrease) in due to related parties	(231,663)	234,893
	(35,513)	217,689
Net increase (decrease) in cash	(313,982)	341,702
Cash, beginning of year/period	341,752	50
Cash, end of year/period	$ 27,770	$ 341,752

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Sprout AI Inc. (Formerly, 1262803 B.C. Ltd.) (the "Company") was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, the Company changed its name from "12682803 B.C. Ltd." to Sprout AI Inc. On July 5, 2021, the shares of the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol of SPRT and subsequently changed to BYFM on November 5, 2021. On January 14, 2022, the shares of the Company began trading on the United States OTC stock market under the symbol BYFMF. The Company's head office is located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2. The Company is engaged in vertical farming technology and is in the business of planning, design, manufacturing and /or assembling sustainable and scalable AI-controlled vertical cultivation equipment (the "habitat") for indoor vertical farming.

Sprout AI S.A. ("Sprout") is a limited liability company incorporated on November 19, 2018 in the Republic of Panama through Public Deed No. 30280. The registered office of Sprout is located at The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama. Sprout was registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

On December 8, 2020 (and as completed on June 1, 2021), the Company entered into a Securities Exchange Agreement (the "Definitive Agreement") with the shareholder of Sprout (Note 4). Pursuant to the Definite Agreement, the Company acquired all the outstanding securities of Sprout in consideration collectively (the "Transaction") for the following:

1. 50,000,000 common shares of the Company;
2. 10,000,000 performance-based share purchase warrants (the "PB Warrants") of the Company. Each warrant will entitle the holder to purchase an additional common share of the Company at an exercise price of $0.17 CAD for a period of three years. These warrants vest as follows:
    a. One third vesting upon the Company realizing $3,000,000 CAD in total revenue;
    b. One third vesting upon the Company realizing $6,000,000 CAD in total revenue; and
    c. One third vesting upon the Company realizing $9,000,000 CAD in total revenue.

The transaction constitutes a reverse takeover ("RTO") of the Company with Sprout being the acquirer for accounting purposes. Accordingly, these consolidated financial statements are a continuation of Sprout, with the net assets (liabilities) of the Company being consolidated from June 1, 2021, as well as the Company's operating results from that date onward.

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued...)

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at January 31, 2023, the Company had a deficit of $9,626,924 (2022 - deficit of $8,298,280) and a net loss and comprehensive loss of $1,328,644 (net loss and comprehensive loss of $6,462,272) and anticipates that losses will be incurred in future periods. If the Company is to continue as a going concern and meet its corporate objectives, it will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies detailed below have been applied consistently by the Company to all periods presented in these consolidated financial statements.

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for the periods presented.

These consolidated financial statements have been prepared on an historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Unless otherwise noted, all amounts on the consolidated financial statements are presented in United States dollars ("USD"), which is the functional currency of Sprout. The functional currencies of the Company and Sprout AI Australia PTY are Canadian Dollars ("CAD") and Australian Dollars ("AUD"), respectively. The presentation currency of these consolidated financial statements is USD.

(Expressed in United States Dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

During the period ended January 31, 2022, the Company changed its year end to January 31, 2022, as approved by the CSE. As a result, the Company reported consolidated financial statements for the year ended January 31, 2023 with comparative figures of 15 months ended January 31, 2022.

These consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2023.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sprout AI S.A. (legal acquiree) and Sprout AI Australia PTY.

Subsidiaries	Place of Incorporation	Functional Currency	Year End Date
Sprout AI S.A.	Panama	USD	January 31
Sprout AI Australia PTY	Australia	AUD	June 30

A subsidiary is an entity controlled by the Company and is included in the consolidated financial statements from the date that control commences until the date the control ceases. The accounting policies of a subsidiary are changed where necessary to align them with policies adopted by the Company.

These consolidated financial statements account for the Company as a controlled entity requiring consolidation since the date of the RTO (notes 1 and 4), effective June 1, 2021.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in the preparation of these consolidated financial statements.

Business combination

A business combination is a transaction in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the excess of the total consideration paid over the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed to profit or loss. Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Business combination (Continued...)

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Cash

Cash includes cash held at the bank.

Inventory

Inventory is valued at the lower of cost and net realizable value using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Raw materials consumed in producing inventory are transferred to work-in-progress along with corresponding production costs incurred. Upon completion of production, work-in-progress is transferred to finished goods until the item is sold. Raw materials consumed in the development of prototypes are transferred to intellectual property when it is determined future economic benefit exists and those prototypes meet the recognition criteria as an intangible asset, otherwise they are charged to operations as development expense.

Property and equipment

Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Property and equipment (Continued...)

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statement of loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within the consolidated statement of loss.

Depreciation

Depreciation is recognized in the consolidated statement of loss and comprehensive loss and is provided for over the asset's estimated useful life:

Equipment	3-5 years straight line
Leasehold improvements	5 years straight line
Right-of-use – Leased building	8 years straight line
Right-of-use – Leased office equipment	3 years straight line

Depreciation methods, estimated useful lives and residual values are reviewed at each year-end and adjusted if appropriate. The effect of any changes in estimate is accounted for on a prospective basis.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Leases (Continued...)

Leases, except for those leases that are short-term or convey the right to control the use of low value assets, are recognized as right-of-use ("ROU") assets and corresponding liabilities at the date at which a leased asset is available for use. Lease payments are allocated between finance costs, calculated using the effective interest method, and a reduction of the liability. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

ROU assets are measured at cost, less any impairments, including:

- the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimate of costs, if any, to be incurred by the Company in restoring the underlying asset to the condition required by the terms and conditions of the lease.

Liabilities arising from a lease are initially measured as the net present value of the future lease payments, including:

- fixed payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

In recording ROU assets and related liabilities at inception of a lease, lease payments are discounted using the interest rate implicit in the lease. If that implicit rate cannot be determined, an incremental borrowing rate is used, being a rate that the Company would have to pay to borrow the funds required to obtain a similar asset, adjusted for term, security, asset value and the borrower's economic environment. The carrying amount of ROU assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, a change in the expected amount under a residual value guarantee, or a change in the assessment to exercise a purchase, extension or termination option.

Payments for short-term leases and leases of low value assets are expensed on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less that do not contain a purchase option. Low value assets generally comprise computers and office furniture.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Intangible assets

Intangible assets, which are not acquired as part of a business combination, are recognized at cost, net of accumulated amortization and accumulated impairment losses, if any. The internally generated intangible assets are recognized at development cost if they meet the criteria for capitalization. Intangibles acquired, if any, as part of a business combination are initially measured at their fair value on the acquisition date. Intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

Patents	Useful life pending
Trademark	Indefinite life
Product development costs	5 years straight line

The estimated useful lives, amortization method, and residual value of each asset are evaluated annually or more frequently if required, and are adjusted, if appropriate.

Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets subject to amortization, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped together to form a cash generating unit ("CGU") which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. An impairment loss is recognized when the carrying value exceeds its recoverable amount and is recognized in the consolidated statement of loss and comprehensive loss. Impairment losses recognized in respect of CGUs or CGU groups are allocated, first to reduce the carrying amount of any goodwill allocated to the CGU or CGU group, and then to reduce the net carrying amount of the other assets in the CGU or CGU group on a pro-rata basis. The recoverable amount is the greater of its value in use and its fair value less costs to sell. The value in use is the estimated future cash flows that is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU. Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Revenue recognition

Revenue is recognized in accordance with the five-step model under *IFRS 15 - Revenue from Contracts with Customers* when the goods or services promised are transferred to the customer. The model separates the following steps: identification of a contract with customers, identification of individual performance obligations, determination of transaction price, allocation of the transaction price to the individual performance obligations and the determination in timing of revenue recognition. Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers based on information or payment received from relevant counterparties. The Company recognizes revenue related to products and services at the point when the products have been delivered, the customer takes control, and assumes risk of loss, and the collection of consideration is probable. Product sales represent revenue from the sale of products and shipping fees charged to customers.

Deferred revenue (contract liabilities) represents funds collected in advance for inventory sales which have not been delivered to the Company's customers.

The Company recognizes sales revenue when it has fulfilled the performance obligation to the counter-party through the delivery and transfer of control of the promised goods at shipping point ("FOB shipping point").

Other income includes sponsorship income, service revenue for management, consulting, and software development services provided to related entities. Such revenue is recognized on accrual basis.

Research and development costs

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following relevant criteria have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project. Amortization begins once the underlying development project is available for use.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. To compute diluted earnings (loss) per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to notionally purchase the Company's common shares at their average market price during the period. If this computation is anti-dilutive, diluted earnings (loss) per share would be the same as basic earnings (loss) per share.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Sprout AI S.A. is domiciled in Panama and has tax exempt status where it is not subject to corporate income tax on any of its domestic and foreign sales. This tax exempt status expires in 2027 and can be further extended under current tax legislation.

Sprout AI Inc. and Sprout AI Australia PTY are subject to the income tax legislation of their respective jurisdictions of domicile.

Provision

The Company recognizes a provision, if a result of a prior event, the Company has a current obligation requiring the outflow of resources to settle. Provisions are recorded at management's best estimate of the most probable outcome of any future settlement.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Foreign currency translation

All amounts on the consolidated financial statements are presented in United States dollars ("USD"), which is the functional currency of Sprout. The functional currencies of the Company and Sprout AI Australia PTY are Canadian Dollars ("CAD") and Australian Dollars ("AUD"), respectively. The presentation currency of these consolidated financial statements is USD.

Monetary items denominated in foreign currencies are translated into United States Dollars at exchange rates in effect at each financial position reporting date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classifications under IFRS 9:

Financial assets	**Classification**
Cash	FVTPL
Accounts receivable and other	Amortized cost
Due from related parties	Amortized cost

Financial liabilities	**Classification**
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loan payable	Amortized cost

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Equity instruments designated as FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument. The Company does not currently hold any equity instruments designated as FVTOCI.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit loss. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position only where the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by IFRS or for gains and losses arising from a group of similar transactions.

Share capital

Share capital represents the amount received in exchange for the issuance of shares. Shares issued for consideration other than cash are recorded at their fair value according to quoted market price on the day the shares are issued.

Proceeds from the exercise of share options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company along with the fair value of the option or warrant at the time of its grant.

The proceeds from the issuance of units are allocated between common shares and share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to share purchase warrants.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Stock-based compensation

Equity instruments awarded to employees are measured and recognized based on the fair value of the equity instruments using the Black-Scholes option model. The compensation cost is recognized as the fair value of the options as at the date granted and is recorded over the period in which the related employee services are rendered, as an expense and an increase to share based payment reserve. Awards for past service are recognized as an expense in the period when granted. When a stock option is exercised, the cash received is credited to share capital, with the share-based payment reserve accumulated being reclassified to equity. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable.

Restricted share unit ("RSU") incentive plan

Under the RSU incentive plan, the Company purchases shares of the Company from the open market to distribute to management as compensation. These shares are restricted and reserved in trust for future issuances. The RSUs vesting conditions are set by the Board at the time the RSUs are granted. The RSUs are measured at the fair value at the grant date and reflected as an equity-settled share-based payment. The Company recognizes the compensation cost in profit (loss) over the appropriate vesting periods using the graded vesting method.

Segmented information

Management assesses its business operations on a regular basis for the geographic areas it operates in. Management has determined that it operates as a single operating division.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the Company's January 31, 2023 consolidated financial statements. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these consolidated financial statements.

The standards issued, but not yet effective, are described below:

- IFRS 10 and IAS 28 - Consolidated Financial Statements ("IFRS 10") and Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Accounting standards issued but not yet effective (Continued...)

- IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier adoption is permitted.

- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") was amended in February 2021 to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier adoption is permitted.

- IAS 12 - requires an entity to recognise a deferred tax liability or (subject to specified conditions) a deferred tax asset for all temporary differences, with some exceptions. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively.

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. **CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management's estimates, assumptions and judgements are based on historical experience and other reasonable factors, including the expectation of future events.

Estimates that could affect the carrying amount of the assets and liabilities in the next financial year, in a material way are outlined below:

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS
(Continued...)

Estimating the useful lives of non-financial assets

Management is required to estimate the useful life of both property and equipment, as well as intangible assets and rights-of-use, and analyze them based on factors including, but not limited to, the expected use of the asset. A change in the useful life of either property, plant and equipment, rights-of-use or intangible asset can result in an increase or decrease in the annual depreciation or amortization of the asset.

Fair value of identifiable assets and acquired liabilities in business combinations

The measurement of the fair value of the identifiable assets acquired, and liabilities assumed on the date of acquisition in a business combination is subject to management estimation.

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of assets and liabilities acquired. The determination of these fair values involves a variety of assumptions. The Company measures all the assets acquired and liabilities assumed at their acquisition date fair values. Acquisition related costs are recognized as expenses in the periods in which the costs are incurred, and the services are received. The excess of the aggregate of the consideration paid to obtain control over the net identifiable assets acquired and the liabilities assumed (net assets) in an asset acquisition, is recognized as a listing expense as of the acquisition date. The fair value of common shares issued as consideration paid based on a concurrent private placement is considered a significant judgment.

Impairment assessment of intangible assets

Management conducts an impairment assessment annually as of January 31, or more frequently if events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. Any impairment charges are determined by comparing the fair value of the reporting unit to its carrying value. The recoverable amount of a reporting unit is determined by management based on discounted cash flow projections. Management's cash flow projections for the reporting unit included significant judgements and assumptions relating to a transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets.

Fair value of derivative financial instruments and warrants

The estimated fair value of derivative financial instruments and warrants is determined based on an appropriate valuation model. Fair values are calculated using assumptions including, timing of future cash flows, discount rates, market price of the Company’s shares and future events that may be out of the Company’s control. The management estimated the fair value of shares and warrants as a consideration paid for the RTO.

3. **CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS** (Continued...)

Stock-based compensation

Share-based compensation provided to employees of the Company requires management to estimate and make assumptions about the most appropriate inputs into the Black-Scholes model, including expected term, volatility and forfeiture rate. The expected term is determined based on management's estimate of the period of time between grant date and exercise date. Volatility is determined using a comparable peer group until such time as sufficient trading history is available for the Company's own shares.

Leases

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

Going concern

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of replacement financing (see Note 1).

Reverse takeover

The reverse acquisition of 1262803 B.C. Ltd on June 1, 2021 (refer to Note 1) was accounted under the scope of IFRS 2 Share-based Payment. 1262803 B.C.'s set of activities and assets do not meet the definition of a business, hence the transaction was not a business combination in the scope of IFRS 3 Business Combinations.

(Expressed in United States Dollars)

4. REVERSE TAKEOVER

As described in Note 1, on June 1, 2021, the Company and Sprout completed a Transaction which constituted a RTO.

The Transaction resulted in the shareholder of Sprout obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision making process, and the resulting power to govern the financial and operating policies of the combined entities.

In accordance with IFRS 3, the substance of the acquisition is a reverse acquisition as the shareholder of Sprout holds the majority of the shares of the Company. The acquisition of the Company does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3. As a result, the acquisition is accounted for in accordance with IFRS 2, with Sprout being the identified as the acquirer and the net assets of the Company deemed acquired. The consideration of the Transaction is measured at fair value of the shares and warrants of the Company that are outstanding immediately before the Transaction. The excess of consideration over the fair value of net assets acquired has been recorded as a listing expense, consistent with IFRS 3.

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

	June 1, 2021
Net assets (liabilities) of Sprout AI Inc. acquired:	
Cash	$ 1,582,210
Loan receivable	548,340
Accounts payable and accrued liabilities	(26,609)
Net assets acquired	$ 2,103,941

	June 1, 2021
Consideration paid on RTO:	
Common shares issued and outstanding to the shareholders of Sprout AI Inc. (i)	$ 3,953,502
Performance base warrants issued to the shareholder of Sprout AI S.A. (ii)	752,552
Special warrants issued and outstanding, note 16	1,661,130
Total consideration paid	$ 6,367,184
Allocation of consideration paid:	
Net assets acquired	$ 2,103,941
Listing expense	4,263,243
	$ 6,367,184

(Expressed in United States Dollars)

4. **REVERSE TAKEOVER** (Continued...)

As part of the RTO, 100 shares of Sprout were acquired by the Company.

i. Based on 28,000,100 of outstanding shares immediately preceding the Transaction, valued at $0.1412 USD ($0.17 CDN) per share on the non-brokered private placement of special warrants.

ii. Upon completion of the Transaction, the Company will issue 10,000,000 performance-based share purchase warrants as described in Note 1.

The PB Warrants have been valued at $752,552 on June 1, 2021 using Black-Scholes option pricing model. The fair value of the contingent consideration was discounted to its present value reflecting the Company's expectation on meeting revenue targets. The following assumptions were used to value the PB Warrants:

Risk-free interest rate	0.29%
Expected life	3 years
Annualized volatility	100%
Share price	$0.1412 USD ($0.17 CAD)
Discount rate	16%

5. **ACCOUNTS RECEIVABLE AND OTHER**

	2023	2022
Accounts receivable - trade	$ -	$ -
Insurance claim receivable	-	39,603
Other	-	3,452
	$ -	$ 43,055

6. **PREPAID EXPENSES**

	2023	2022
Stock exchange annual fees	$ -	$ 13,084
Deposits on materials purchases	157,905	120,527
Prepayment of marketing services	-	148,710
	$ 157,905	$ 282,321

(Expressed in United States Dollars)

7. INVENTORY

The Company's inventory consists of materials inventory. Materials consumed in production of the habitat units are transferred to work-in-progress and then to finished goods upon completion of production.

The cost of inventory recognized as cost of sales during the year ended January 31, 2023 was $302,855 (2022 - $Nil).

	2023	2022
Raw materials	$ 23,692	$ 163,237
Work in process	-	4,216
Finished goods	7,374	-
	$ 31,066	$ 167,453

8. RIGHT-OF-USE ASSETS

	Building	**Equipment**	**Total**
Cost			
Balance as at November 1, 2020	$ 1,471,146	$ -	$ 1,471,146
Additions	-	9,042	9,042
Balance as at January 31, 2022	$ 1,471,146	$ 9,042	$ 1,480,188
Additions	-	-	-
Balance as at January 31, 2023	$ 1,471,146	$ 9,042	$ 1,480,188
Accumulated depreciation			
Balance as at November 1, 2020	$ 321,813	$ -	$ 321,813
Depreciation	229,867	1,004	230,871
Balance as at November 1, 2022	$ 551,680	$ 1,004	$ 552,684
Depreciation	183,893	3,015	186,908
Balance as at January 31, 2023	$ 735,573	$ 4,019	$ 739,592
Carrying amounts:			
Balance as at January 31, 2023	$ 735,573	$ 5,023	$ 740,596
Balance as at January 31, 2022	$ 919,466	$ 8,038	$ 927,504

(Expressed in United States Dollars)

8. **RIGHT-OF-USE ASSETS** (Continued...)

Sprout's building is located in Panama Pacifico, Panama and it is comprised of both a two-level open office concept as well as a warehouse designed for large-scale manufacturer, quality assurance, packaging, and shipping of Sprout AI directly to the Panama Canal. The total building occupies 37,500 sq. ft (3,500 sq.m.).

Management regularly assesses the right-of-use asset for impairment indicators and has determined that no impairment is required for the year ended January 31, 2023 (2022 - $Nil).

9. **PROPERTY AND EQUIPMENT**

	Equipment	Leasehold Improvements	Total
Cost			
Balance as at November 1, 2020	$ 433,302	$ 106,871	$ 540,173
Reclassification	106,871	(106,871)	-
Additions	202,773	2,044	204,817
Disposals	(78,312)	-	(78,312)
Balance as at January 31, 2022	$ 664,634	$ 2,044	$ 666,678
Additions	5,349	-	5,349
Disposals	(40,975)	-	(40,975)
Balance as at January 31, 2023	$ 629,008	$ 2,044	$ 631,052
Accumulated depreciation			
Balance as at November 1, 2020	$ 149,219	$ 17,862	$ 167,081
Reclassification	17,862	(17,862)	-
Depreciation	169,763	114	169,877
Disposals	(38,709)	-	(38,709)
Balance as at January 31, 2022	$ 298,135	$ 114	$ 298,249
Depreciation	148,104	341	148,445
Disposals	(27,047)	-	(27,047)
Balance as at January 31, 2023	$ 419,192	$ 455	$ 419,647
Carrying amounts:			
Balance as at January 31, 2023	$ 209,816	$ 1,589	$ 211,405
Balance as at January 31, 2022	$ 366,499	$ 1,930	$ 368,429

Management regularly assesses the property and equipment for impairment indicators and has determined that no impairment is required for the year ended January 31, 2023 (2022 - $Nil).

(Expressed in United States Dollars)

10. INTANGIBLE ASSETS

	Patent	Trademark	Product Development	Total
Cost				
Balance as at November 1, 2020	$ -	$ -	$ -	$ -
Additions	5,000	19,335	451,586	475,921
Balance as at January 31, 2022	$ 5,000	$ 19,335	$ 451,586	$ 475,921
Additions	270	20,317	286,176	306,763
Balance as at January 31, 2023	$ 5,270	$ 39,652	$ 737,762	$ 782,684
Accumulated depreciation				
Balance as at November 1, 2020	$ -	$ -	$ -	$ -
Depreciation	-	-	-	-
Balance as at January 31, 2022	-	-	-	-
Depreciation	-	-	-	-
Balance as at January 31, 2023	$ -	$ -	$ -	$ -
Carrying amounts:				
Balance as at January 31, 2023	$ 5,270	$ 39,652	$ 737,762	$ 782,684
Balance as at January 31, 2022	$ 5,000	$ 19,335	$ 451,586	$ 475,921

Development costs consist of the costs of developing a prototype for its Sprout AI habitat. As at January 31, 2023 and 2022, intangible assets are not available for use and there is $Nil (2022 - $Nil) amortization changes for the year ended January 31, 2023.

Management regularly assesses intangible assets for impairment indicators and has determined that no impairment is required for the year ended January 31, 2023 (2022 - $Nil).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade accounts payable	$ 654,962	$ 139,957
Accrued liabilities	71,455	180,816
Government remittances payable	126,013	7,846
	$ 852,430	$ 328,619

(Expressed in United States Dollars)

12. DUE FROM/TO RELATED PARTIES

	2023	2022
Due from related parties		
One System One Solution, S.A.	$ 118,443	$ 25,460
TheraCann Canada Benchmark Ltd.	33,816	14,483
ETCH BioTrace, S.A.	6,272	5,590
TheraCann Australia Benchmark Pty Ltd.	-	4,966
	$ 158,531	$ 50,499
Due to related parties		
TheraCann International Benchmark Corporation ("TIBC")	$ 1,933,312	$ 2,252,896
TheraCann Australia Benchmark Pty Ltd.	80,430	-
TheraCann Canada Inc.	7,491	-
	$ 2,021,233	$ 2,252,896

The amounts due from/to related parties are from companies that are owned or controlled by the majority shareholder. The amounts due from/to related parties are unsecured, non-interest bearing and due within 12 months.

13. LOAN PAYABLE

In March 2022, the Company entered into a Loan Agreement with Mr. S. Halter, whereby the Company borrowed $520,000 at a rate of 6% to be repaid over a three-year period. The Loan Agreement was amended in April 2023 to reflect updated terms for repayment. The loan will be repaid starting on August 31, 2023 and over a period of three years with equal monthly installments of $16,000, with one $80,000 payment in December 2024. The loan will be extinguished in full in June 2026.

The Company has discounted the loan using the effective interest method at a discount rate of 6% per annum over a repayment period of three years. Upon recognition, $42,272 was recognized as the fair value adjustment on the loan payable.

Balance as at January 31, 2022	$ -
Proceeds received during the year	520,000
Fair value adjustment	(42,272)
Interest expense	24,431
Balance as at January 31, 2023	$ 502,159
Current portion	$ 50,236
Long-term portion	451,923
	$ 502,159

(Expressed in United States Dollars)

13. **LOAN PAYABLE** (Continued...)

The following table sets out the maturity analysis of loan payments, showing the undiscounted principal payments to be made as at January 31, 2023:

2024	$ 81,898
2025	235,976
2026	185,889
2027	16,237
Total	$ 520,000

14. **LEASE LIABILITIES**

The Company subleases commercial space and office space from its controlling shareholder. The Company's lease commenced on February 1, 2019 and extends to February 1, 2024. The Company has an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years. The Company has determined that it is reasonably certain to exercise this extension period and has therefore included the future lease payments in the extension term when measuring the lease liability and right-of-use asset. The monthly lease charge is $26,729 which is subject to a variable maintenance charge and a variable 10% late fee. In fiscal 2022, Company entered into a lease agreement for an office equipment. The monthly lease charge is $259. The Company has recognized the right-of-use assets in respect of these leases (Note 8).

The Company has also recognized a lease liability for those leases, which was initially measured at the present value of the future lease payments, discounted using the Company's incremental borrowing rate of 16.22% and 2% for the leased building and office equipment, respectively. Interest expense on the lease liability is included in the statements of loss and comprehensive loss.

The following table details the discounted cash flows and contractual maturities of the Company's lease obligations, as at January 31, 2023:

	Leased Building	Leased Equipment	Total
Balance as at October 31, 2020	$ 1,262,098	$ -	$ 1,262,098
Additions during the period	-	9,042	9,042
Interest	235,366	56	235,422
Lease payments	(400,927)	(1,035)	(401,962)
Balance as at January 31, 2022	$ 1,096,537	$ 8,063	$ 1,104,600
Interest	162,070	129	162,199
Lease payments	(320,742)	(3,108)	(323,850)
Balance as at January 31, 2023	$ 937,865	$ 5,084	$ 942,949
Current portion	$ 186,410	$ 3,040	$ 189,450
Long-term portion	751,455	2,044	753,499
	$ 937,865	$ 5,084	$ 942,949

(Expressed in United States Dollars)

14. LEASE LIABILITIES (Continued...)

The following table sets out the maturity analysis of lease payments, showing the discounted lease payments to be made as at January 31, 2023:

2024	$ 189,450
2025	197,984
2026	257,284
2027	298,231
Total	$ 942,949

15. DEFERRED REVENUE

Deferred revenue is comprised of customer deposits which are funds paid by customers in advance for delivery of Sprout AI Habitat Systems based on the sales agreements. All deposits are non-refundable. There are no external restrictions on the use of these deposits.

	2023	2022
Balance - Beginning of year	$ 507,157	$ -
Deposits during the year	724,445	507,157
Revenue recognized during the year	(575,434)	-
Balance - End of year	$ 656,168	$ 507,157

On May 31, 2021, Sprout received from TheraCann International Benchmark Corporation a purchase order for 140 units in connection with company-owned growing habitats. A deposit of $507,157 has been received from TheraCann Australia Benchmark Pty Ltd. for this sale.

During the year ended January 31, 2023, the Company received $692,742 from TheraCann International Benchmark Corporation for the afore-mentioned purchase order, which was amended to 75 units. The Company recognized $575,434 of products sales upon delivery.

During the year ended January 31, 2023, the Company received $31,703 from TheraCann Canada Inc. to provide back office services.

(Expressed in United States Dollars)

16. CONTINGENCIES AND COMMITMENTS

a) The Company is committed to minimum annual rental payments on its premises as following:

2024	$ 320,742
2025	320,742
2026	320,742
2027	294,014
Total	$ 1,256,240

b) The Company is committed to equipment rental payments as following:

2024	$ 3,108
2025	2,072
Total	$ 5,180

c) The Company has received statements of claim with respect to allegations of wrongful dismissal by certain employees in the amount of $318,958. In the opinion of the Company's management, the claims are without merit and any settlement will not have a material impact on the financial position, operations or cash flows of the Company. Accordingly, no provision has been recorded in these consolidated financial statements.

17. SHARE CAPITAL

Authorized
Unlimited Common shares without par value

	Number of Shares	Share Capital
Balance, October 31, 2020	100	$ 10,000
Reverse acquisition transaction		
Common shares acquired from legal subsidiary	(100)	-
Equity of Sprout AI Inc.	28,000,100	536,391
Elimination of equity of Sprout AI Inc.	-	(536,391)
Issuance of common shares pursuant to reverse takeover ("RTO")	50,000,000	3,953,502
Common shares issued on exercise of special warrants	11,764,706	1,661,130
Common shares issued on closing of private placements	500,000	20,233
Common shares issued on closing of private placement	700,000	364,525
Balance, January 31, 2022 and 2023	90,964,806	$ 6,009,390

17. **SHARE CAPITAL** (Continued...)

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All issued shares are fully paid. On the incorporation date on August 25, 2020, the Company issued 100 shares at nominal value.

Sprout was incorporated on November 19, 2018, with an authorized share capital of $10,000, which is divided into 100 common shares with a par value of $100 each.

On August 31, 2020, the Company closed a non-brokered private placement offering of 9,500,000 units at a price of $0.005 CAD per unit for gross proceeds of $47,500 CAD ($36,072 USD). Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share, for a period of twelve months at an exercise price of $0.02 CAD per warrant. A value of $Nil was assigned to the warrants.

On September 10, 2020, the Company closed a non-brokered private placement offering of 5,000,000 common shares at a price of $0.05 CAD per common share for gross proceeds of $250,000 CAD ($189,854 USD).

On November 18, 2020, the Company closed a non-brokered private placement offering of 2,000,000 common shares at a price of $0.05 CAD per common share for gross proceeds of $100,000 CAD ($75,942 USD).

On December 2, 2020, the Company closed a non-brokered private placement offering of 2,000,000 common shares at a price of $0.05 CAD per common share for gross proceeds of $100,000 CAD ($77,316 USD).

On February 2, 2021, the Company closed a non-brokered private placement offering consisting of 11,764,706 special warrants of the Company (each, a "Special Warrant") at $0.17 CAD per Special Warrant for gross proceeds of $2,000,000 CAD ($1,560,306 USD). Each Special Warrant entitles the holder thereof to acquire, without payment of any additional consideration and without any action by the holder, one common share (each, a "Special Warrant Share") in the capital of the Company. Also, each Special Warrant will automatically convert into a common share on the earlier of: (i) the first business day following the day on which a receipt for a final prospectus has been issued to the Company by or on behalf of the securities regulatory authorities in a province of Canada or such other jurisdiction(s) as may be determined by the Company and (ii) the 240th day following the issuance of the Special Warrants.

On May 31, 2021, the Company issued 9,500,000 common shares upon exercise of warrants for gross proceeds of $190,000 CAD ($157,207 USD).

On June 1, 2021, Sprout completed the RTO with the Company and 50,000,000 Company common shares were issued with a fair value of $3,953,502 and 10,000,000 PB warrants were issued with an estimated value of $752,552 using the Black-Scholes option pricing model (Note 1 and 4).

On June 3, 2021, the Company issued 11,764,706 common shares upon conversion of the Special Warrants granted on February 2, 2021.

17. **SHARE CAPITAL** (Continued...)

On June 22, 2021, the Company issued 500,000 common shares for gross proceeds of $25,000 CAD ($20,233 USD).

On October 8, 2021, the Company issued 700,000 common shares for gross proceeds of $455,000 CAD ($364,525 USD).

18. **CAPITAL STOCK RESERVE**

During the year ended January 31, 2022, the company issued 10,000,000 of PB warrants pursuant to RTO with an estimated fair value of $752,552 using the Black-Scholes option pricing model (notes 1 and 4). The reserve is increased by the fair value on issuance of warrants and is reduced by corresponding amounts when the warrants are exercised.

19. **REVENUE**

Revenue from external customers is derived as product revenue earned from end users who purchase our goods through the Company's primary distributor, TheraCann International Benchmark Corporation (TIBC). Revenue may also be derived from storage of products on behalf of end users if the end user is not able to pay final balances prior to shipment. TIBC does not mark up the cost of the Company's goods. TIBC receives payment from end user to install, operate, and maintain the Company goods at the end user location. Freight costs of the Company goods are paid either by TIBC or the end user.

The Company recognizes product and storage on a gross basis.

Products are paid by non-refundable deposits. The percentage of deposit will vary depending on size of order, time to delivery order, and shipping constraints. Typically, orders are paid with a deposit to commence order, and the remaining balance due prior to shipment to the customer's chosen destination. Deferred revenue is recorded for the period of time between when the order is placed and when the order has been shipped to the customer's chosen destination. Storage is to be paid monthly and is due on receipt of invoice.

Other revenues are from management, consulting, and software development services and are recognized in accordance with their respective agreements.

Fair value adjustment on loan payable represents the difference between the loan proceeds received in March 2022 and the time value of money of the future repayments discounted at an inputted interest rate of 6% per annum.

20. SEGMENTED INFORMATION

The President and Chief Operating Officer regularly assess and make allocation decisions based on contracts and projects in progress in the geographic areas of operations. Based on the fact that operations are ramping up and in the early stages of the Company's existence, management has determined that it operates as a single operating division. For the year ended January 31, 2023, the Company derived 100% (2022 - 100%) of revenue from related entities, which are controlled by an officer of the Company. As at January 31, 2023, 100% (2022 - 100%) of non-current assets (other than financial instruments) are located in Panama.

21. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended January 31, 2023 was based on the loss of $1,328,644 (2022 - loss of $6,462,272) and weighted average number of common shares outstanding of 90,964,806 (2022 - 71,661,230). All warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

22. RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions with key management personnel

Transactions with key management personnel of the Company include certain members of the Company's executive management team and the Board of Directors which have the responsibilities for strategic planning, oversight and control of the Company. During the year, the total compensation paid to executive management team and Board of Directors amounted to $269,953 (2022 - $195,380).

b) Other related party transactions

During the year, the Company received deposits from TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in the amount of of $692,743 (2022 - $507,157) and recognized as deferred revenue. Sales revenue was recognized from deferred revenue in the amount of $575,434 (2022 - $Nil) for Habitat parts delivered during 2023. Cost of sales associated with the sales is $302,855 (2022 - $Nil).

During the year, the Company received other revenue from TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in the amount of $163,055 (2022 - $63,613) for management and consulting services provided during 2023.

During the year, the Company received other revenue from TheraCann Africa Benchmark Corporation, an entity controlled by an officer of the Company, in the amount of $6,152 (2022 - $Nil) for management and consulting services provided during 2023.

During the year, the Company received other revenue from TheraCann Australia Benchmark Pty Ltd., an entity controlled by an officer of the Company, in the amount of $6,500 (2022 - $Nil) for shipping services provided during 2023.

22. RELATED PARTY TRANSACTIONS AND BALANCES (Continued...)

b) Other related party transactions (Continued...)

During the year, the Company received other revenue from One System One solution, S.A., an entity controlled by an officer of the Company, in the amount of $106,877 (2022 - $49,022) for software development services provided during 2023. During the year, the Company was charged a software licensing fee in the amount of $41,988 (2022 - $52,485) by One System One Solution, S.A., an entity controlled by an officer of the Company.

During the year, the Company entered into a service agreement with TheraCann Canada Inc., an entity controlled by an officer of the Company, a deposit of $31,703 (2022 - $Nil) was received and recognized as deferred revenue.

During the year, the Company was charged $320,724 (2022 - $320,742) by TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in connection with the Company's premises sublease.

As at January 31, 2023 and 2022, the Company had amounts due from (to) related parties, which are controlled by an officer of the Company. See Note 12 for details.

Included in accounts payable are $72,452 (2022 - $4,362) payable to an officer of the Company, received to facilitate the Company's operation.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities, loan payable and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to credit, liquidity or market risks arising from these financial instruments.

Credit risk and economic dependence

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits. As at January 31, 2023, 100% (2022 - 100%) of the contracted revenues are from four (2022 - two) related companies.

As of January 31, 2023, the Company had $158,531 (2022 - $93,554) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9. The Company had determined $Nil (2022 - $Nil) for the allowance for expected credit loss as $Nil (2022 - $43,055) of the balance was due and collected within 30 days and $158,531 (2022 - $50,499) was due within 12 months. There was no history of default for those debtors.

(Expressed in United States Dollars)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

While the Company has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future. All the Company's liabilities, with the exception of the lease liabilities and non-current portion of the long-term debt, are due within the next 12 months.

January 31, 2023

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	$ 27,770	$ -	$ -	$ -	$ -	$ 27,770
Financial assets at amortized cost	158,531	-	-	-	-	158,531
Total	$ 186,301	$ -	$ -	$ -	$ -	$ 186,301
Financial liabilities						
Other financial liabilities	$2,797,886	$ 419,767	$ 32,156	$ -	$ -	$3,249,809

(Expressed in United States Dollars)

23. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (Continued...)

Liquidity risk (Continued...)

January 31, 2022

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	$ 341,752	$ -	$ -	$ -	$ -	$ 341,752
Financial assets at amortized cost	93,554	-	-	-	-	93,554
Total	$ 435,306	$ -	$ -	$ -	$ -	$ 435,306
Financial liabilities						
Other financial liabilities	$2,573,669	$ -	$ -	$ -	$ -	$2,573,669

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk is the risk to the Company's earnings that arises from volatility in foreign exchange rates. The Company may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Company specific event.

Included in the undernoted accounts are the following Canadian dollar balances:

	2023	2022
Cash	$ (227)	$ 125,121
Due from (to) related parties	$ 35,145	$ 25,997
Accounts payable	$ 545,552	$ 340,644

(Expressed in United States Dollars)

23. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (Continued...)

Interest rate risk

The Company has deposits in financial institutions. The Company is exposed to reductions in interest rates, which could impact expected current and future returns. As at January 31, 2023, the amount of $27,770 (2022 - $341,752) was held in deposits with financial institutions.

January 31, 2023

	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest bearing	Total
Financial assets				
Financial assets at FVTPL	$ 27,770	$ -	$ -	$ 27,770
Financial assets at amortized cost	-	-	158,531	158,531
	$ 27,770	$ -	$ 158,531	$ 186,301
Financial liabilities				
Other financial liabilities	$ -	$ 502,159	$ 2,747,650	$ 3,249,809

January 31, 2022

	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest bearing	Total
Financial assets				
Financial assets at FVTPL	$ 341,752	$ -	$ -	$ 341,752
Financial assets at amortized cost	-	-	93,554	93,554
	$ 341,752	$ -	$ 93,554	$ 435,306
Financial liabilities				
Other financial liabilities	$ -	$ -	$ 2,573,669	$ 2,573,669

(Expressed in United States Dollars)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Company is not exposed to any other price risk.

Fair value measurements of financial assets and liabilities

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, loan payable and due to/from related parties approximate their carrying value due to their short term in nature. The Company's cash is measured at fair value using Level 1 inputs.

24. INCOME TAXES

A reconciliation of income taxes at statutory rates to reported taxes is as follows:

	2023	2022
Net loss	$ 1,328,644	$ 6,462,272
Statutory tax rate	26.50 %	26.50 %
Expected income tax recovery at the statutory tax rate	352,091	1,712,502
Increase (decrease) in income tax recovery resulting from:		
Non deductible expenses on unrealized foreign exchange loss	1,551	8,029
Difference in tax rates in foreign jurisdiction (a)	(236,684)	(363,346)
Non deductible expenses on reverse acquisition	-	(1,157,463)
Non-capital losses unutilized	(116,958)	(199,722)
	$ -	$ -

(a) Sprout AI S.A. is domiciled in Panama and has tax exempt status where it is not subject to corporate income tax on any of its domestic and foreign sales. This tax exempt status expires in 2027 but can be further extended under current tax legislation.

(Expressed in United States Dollars)

24. **INCOME TAXES** (Continued...)

(b) Sprout AI Inc. and Sprout AI Australia PTY are subject to the tax legislations of their respective jurisdictions of domicile.

The Company recognizes tax benefits on losses or other deductible amounts generated where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	2023	2022
Non-capital losses		
Deferred tax assets	$ 116,958	$ 199,722
Less: valuation allowance	(116,958)	(199,722)
Unrecognized deferred tax	$ -	$ -

As at January 31, 2023, the Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

2042	$ 753,668
2043	441,351
	$ 1,195,019

The potential benefits of these carry forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that there will be sufficient future taxable profit to utilize the deferred tax assets.

25. **CAPITAL MANAGEMENT**

The Company manages share capital and capital stock reserve as capital. The objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management since incorporation. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations (Note 1).

26. SUBSEQUENT EVENTS

On February 20, 2023, the Company received a loan from TheraCann International Benchmark Corporation in the amount of $1,000,000. The loan is unsecured, non-interest bearing and due within 36 months.

On May 15, 2023, the board approved an RSU program, which allows the Company to allocate up to 10% of the outstanding shares of the Company. The Board of Directors is in the process of confirming the allocation of 3,715,912 RSU to be distributed between Directors, Offices, General Staff and Resources. The confirmation and subsequent allocation will be determined and reported to the Company's shareholders as part of the amalgamation transaction mentioned below.

On May 29, 2023, Sprout AI Inc. entered into an Amalgamation Agreement with TheraCann International Benchmark Corporation. Under the terms of the Agreement, TIBC will acquire the Company in a reverse takeover structure, whereby the companies operations will be combined. The entities have agreed to a Conversion Ratio of 5.296 which results in TIBC shareholders owning approximately 70% of the common equity post completion. The arrangement is subject to the regulatory authorities' approval and the Company's shareholder approval to be obtained at a Special Shareholders Meeting tentatively scheduled in July 2023.